

SENATE BILL REPORT

SB 5486

As Reported By Senate Committee On:
Higher Education, February 8, 2007

Title: An act relating to tax credits for employers employing student employees enrolled in qualified technical programs at Washington institutions of higher education.

Brief Description: Authorizing employer tax incentives for the employment of students in math and science programs.

Sponsors: Senators Shin, Pflug, Zarelli, Berkey, Morton, Kilmer, Schoesler, Hatfield, Swecker, Delvin, Brandland, Sheldon, Jacobsen, Benton, Parlette and Rasmussen.

Brief History:

Committee Activity: Higher Education: 2/08/07 [DP-WM].

SENATE COMMITTEE ON HIGHER EDUCATION

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Shin, Chair; Kilmer, Vice Chair; Delvin, Ranking Minority Member; Berkey, Schoesler and Sheldon.

Staff: Aldo Melchiori (786-7439)

Background: Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. The tax is imposed on the gross receipts from all business activities conducted within the state. Although there are several different rates, the most common rates are 0.471 percent for retailing, 0.484 percent for wholesaling, and 1.5 percent for service activity.

Public and privately-owned utilities are subject to the state public utility tax. The public utilities tax is applied to the gross receipts of the business. The tax rate depends on the utility classification. For light and power businesses, the applicable tax rate is 3.873 percent. For gas distribution businesses, the rate is 3.852 percent. Revenues are deposited to the state general fund.

Summary of Bill: A B&O tax credit, equal to 100 percent of the gross wages paid to the student employee, is authorized for persons that employ one or more students enrolled in a program that will provide an undergraduate or graduate degree in mathematics, science, health science, engineering, or computer technology. The maximum credit is \$1,000 per qualifying student. The student must be a junior, senior, or graduate student; must be receiving academic

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credit for the employment, and the employment must be related to the person's employment needs. The same credit is allowed against the public utility tax for students enrolled in technical programs. Only one of the tax credits may be taken for each student.

Appropriation: None.

Fiscal Note: Requested on January 31, 2007.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This is a marriage of focused study and work experience to promote job development in Washington. Both students and businesses are given incentives to participate. The demand for skilled workers in these fields is growing every day.

Persons Testifying: Senator Shin, prime sponsor; Amber Carter, Association of Washington Business; Jeff Gombosky, Prosperity Partnership.